

# A bounce but with narrow leadership

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Founder / Lead Portfolio Manager

## A bounce but with narrow leadership

**The Alpha Plus Fund rose 1.75% in May, outperforming the S&P/ASX 200 which gained 1.15% by 0.60%.**

Headline calm masked real volatility. The ASX 200 traded through eight  $\pm 1\%$  sessions, including a -1.4% risk-off day on May 28 that fully reversed the following session. Leadership was narrow, with large-cap miners carrying the index while most sectors drifted lower.

Australia again lagged global peers. The S&P 500 rose around 5% on AI-led technology strength, with the ASX continuing to reflect a structural underweight to global growth leadership and ongoing dependence on banks, resources and yield-sensitive industrials.

Within the market, Materials and Capital Goods led, while Health Care, Utilities, Energy and Banks lagged. At the factor level, Growth and Momentum outperformed, with Defensive and Value factors underperforming as investors rotated towards businesses with greater earnings power.

The outlook remains challenging. The global AI investment cycle continues to drive a substantial capex wave, with Australian companies remaining leveraged through copper and critical minerals demand, data-centre build-out and the capital-goods complex supplying the picks and shovels.

Electrification represents a second multi-year tailwind. Grid investment, transmission upgrades and the broader renewables build-out support a range of domestic names across materials, engineering and industrials, with earnings power that is largely independent of the consumer cycle.

Caution remains warranted on domestic cyclicals. Banks, housing-exposed names and discretionary retail continue to face a slowing demand, persistent cost-of-living pressures and stretched valuations. The portfolio remains positioned towards structural growth and pricing-power names, funded by short positions in over-earning, rate-sensitive domestic businesses. We maintain a cautious stance on the banks.

	1 Month	3 Month	1 Year	2 Year p.a.	3 Years p.a.	5 Years p.a.	ITD p.a.
Alpha Plus*	1.75%	-5.69%	-3.39%	4.05%	8.21%	6.41%	9.70%
Benchmark	1.15%	-4.03%	6.89%	10.08%	11.02%	8.10%	8.88%
Value Added	0.60%	-1.65%	-10.28%	-6.02%	-2.80%	-1.69%	0.82%

ITD = Inception to date (Mar-19 when Jun Bei took over as Lead Portfolio Manager for the Alpha Plus Fund).

2, 3, 5-year returns are annualized. Benchmark is ASX200 Accumulation Index

\* Net performance for Class A – based on month end unit prices in Australian dollars. Net return is after management and operating fees. Past performance is not indicative of future performance

## Lead Portfolio Manager

Jun Bei Liu, CFA



## Alpha Plus vs ASX200 Accumulation Index

(Net Returns as at May 2026)



Based at 100 as at inception (Mar-19)  
Alpha Plus is Net of fees and transaction costs

## May Portfolio Commentary:

May performance was supported by both sector positioning and stock selection, with the portfolio outperforming the broader index in a market characterised by narrow leadership and elevated intra-month volatility.

At the sector level, the largest contribution came from positioning in Materials, where exposure to high-quality resource companies benefited from firmer commodity prices and continued investor focus on copper and the broader capex cycle. Underweight positioning in Pharmaceuticals & Biotech also added value, with the sector underperforming on the back of further weakness in CSL.

Real Estate contributed positively, with several structural-growth holdings outperforming the underlying sector. Health Care more broadly also supported performance, reflecting selective exposure within a sector that came under pressure during the month.

Detractors included positioning in Industrials and Consumer Discretionary, where exposure to selected long-duration holdings weighed on performance despite a broadly cautious stance on the domestic consumer.

### Key Positive Contributors:

- **CSL (CSL):** CSL contributed positively from the short side as both the earnings outlook and investor sentiment continued to weaken. Demand conditions remain soft across

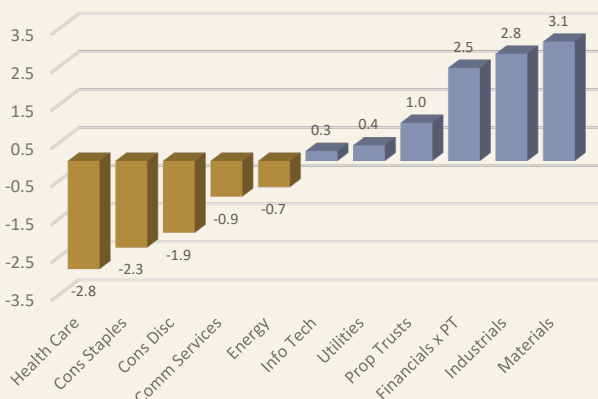
Immunoglobulin in the US and Albumin in China, with little evidence of a near-term recovery. Valuation remains demanding relative to the company's subdued earnings growth outlook.

- **BHP Group (BHP):** BHP was a strong contributor during the month, supported by resilient iron ore pricing and a continued re-rating of copper. The company remains well placed to benefit from the global capex cycle, with diversified production, a strong balance sheet and direct exposure to the structural demand backdrop for copper.
- **Sandfire Resources (SFR):** SFR contributed strongly as copper prices firmed and operational delivery improved. The copper thematic continues to be supported by constrained supply and structural demand from electrification and data-centre build-out.
- **ASX (ASX):** ASX contributed positively from the short side. Ongoing remediation costs and the company's technology modernisation program continue to weigh on the earnings outlook, with further downside risk to consensus expectations.
- **Smartgroup (SIQ):** SIQ performed strongly following a positive operational update and improving novated-lease volumes. The position reflects exposure to a high-quality small-cap business with an attractive yield and visible earnings growth.

### Key Negative Contributors:

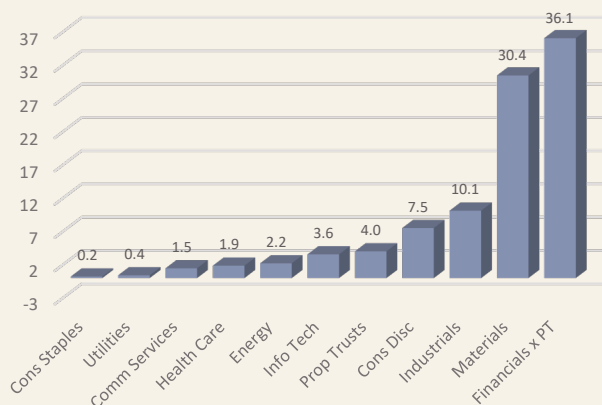
- **Brambles (BXB):** BXB was the largest detractor during the month after the company flagged softer pallet pool dynamics and weaker-than-expected pricing across core markets. The longer-term thesis remains intact given the company's pricing power and defensive earnings profile, although the position has been trimmed pending greater visibility on the cycle.
- **REA Group (REA):** REA detracted as housing listings volumes softened and investors rotated out of consumer-facing growth names. The company remains a high-quality compounder with strong pricing power, although near-term sentiment is being weighed down by a slowing housing cycle.

## Alpha Plus Sector Allocation Changes (Month end: Apr-26 to May-26)



## Alpha Plus Sector Allocations

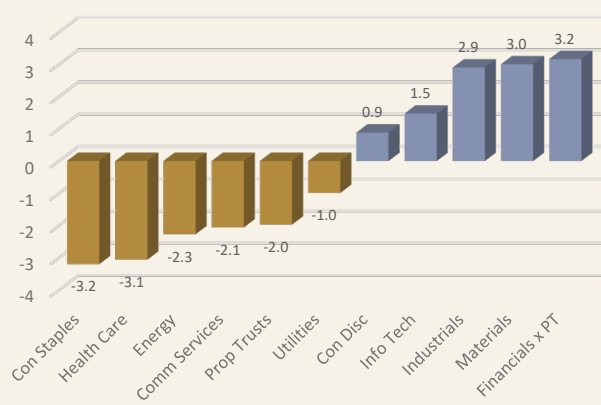
(As at month end May-26)



Source: Ten Cap, FactSet

## Alpha Plus Sector Bets vs ASX200 (%)

(As at month end May-26)



Source: Ten Cap, FactSet

## Major Portfolio Changes

### Increased Positions:

- **Lottery Corp (TLC):** We added to TLC given its defensive earnings profile, dominant market position and resilient cash generation. The company offers attractive characteristics in an environment of softening discretionary consumer demand.
- **BlueScope Steel (BSL):** We increased our position in BSL, supported by improving steel spreads, exposure to the US construction and infrastructure capex cycle and a strong balance sheet. The stock continues to offer attractive valuation relative to mid-cycle earnings.
- **Aristocrat Leisure (ALL):** We added to ALL on the back of continued momentum across its core gaming franchises, growing contribution from the digital business and a disciplined approach to capital returns.
- **Seven Group Holdings (SGH):** We increased SGH given its leveraged exposure to the global capex cycle, including data-centre build-out, electrification and resources infrastructure. The combination of WesTrac, Coates and Boral provides a high-quality industrial portfolio benefiting from sustained capex demand.

### Decreased Positions:

- **Seek (SEK):** We increased our short in SEK as softening employment conditions and a weaker job advertising backdrop point to continued downside risk to earnings. Valuation remains stretched relative to the near-term outlook.
- **Telstra (TLS):** We took profits on TLS following a period of strong relative performance. While the medium-term thesis remains intact, the position has been trimmed to reflect a more balanced risk-reward at current levels.
- **Endeavour Group (EDV):** We increased our short in EDV given weakening discretionary spending, ongoing margin pressure and softer trading conditions across the retail liquor and hotels business.
- **Wesfarmers (WES):** We took profits on WES after strong recent performance. The position has been reduced to lock in gains, with the longer-term view on the quality of the underlying portfolio unchanged.

## Key Portfolio Statistics\*

	Alpha Plus	ASX200
Market Cap (\$million)	119	109
# of holdings	108	200
Div Yield (trailing)	2.4	3.2
Price to Earnings (FY1 est)	19.5	17.7
Price to Cashflow (trailing)	13.6	12.5
Forward EPS growth (3-5yr)	6.4	5.8
Return on Equity (ROE)	15.8	13.6

\*All figures are harmonic weighted averages as at 31st May 2026

### Sector outlook

The outlook is constructive, although selectively so. While macro conditions in Australia remain mixed, two multi-year tailwinds — the global AI investment cycle and the broader electrification build-out — provide a strong foundation for earnings growth in well-positioned parts of the market. Portfolio positioning continues to be driven by bottom-up fundamental analysis, with a focus on businesses with durable earnings, pricing power and clear long-duration demand drivers.

Within Materials, conviction remains high. Exposure to electrification-related commodities, particularly copper and aluminium, continues to be supported by structurally constrained supply and growing demand from grid investment, data-centre build-out and broader electrification. Diversified miners and high-quality copper producers are well placed through the cycle. Conditions in China have also been incrementally more supportive, with stabilising activity contributing to firmer iron ore pricing.

Capital Goods and Industrials represent a key area of opportunity. Companies leveraged to the global AI capex cycle and domestic electrification build-out continue to see strong order books and improving earnings momentum. Positions in Seven Group

Holdings and BlueScope Steel reflect this thematic, providing diversified exposure to the picks-and-shovels of the capex cycle.

Within growth and Technology, the focus remains on businesses with visible earnings delivery and structural demand drivers. Goodman Group continues to benefit from new contracted capacity across its US data-centre portfolio, reinforcing long-term earnings visibility from the AI build-out. Selective exposure is also maintained across WiseTech Global, Technology One and REA Group, where capital discipline and execution underpin confidence in the medium-term outlook.

Financials warrant a more cautious stance. The banking sector continues to trade at full valuations, with limited room for positive surprise as housing credit growth slows and net interest margins come under pressure. Risk-reward at current levels appears increasingly unattractive, and the portfolio remains selectively underweight.

Caution remains warranted across domestic Consumer Discretionary. Cost-of-living pressures, weakening housing wealth effects and stretched household balance sheets continue to weigh on spending intentions. Exposure is selective and focused on businesses where earnings improvement is being driven by internal execution rather than macro conditions. Broader sector exposure is actively managed through underweights and short positions.

Healthcare offers a more compelling opportunity following the recent sector sell-off. Quality names with global franchises and durable demand drivers — including Ramsay Health Care and ResMed — now trade at materially more attractive valuations relative to their long-term earnings power. Selective accumulation in high-quality healthcare reflects a willingness to take advantage of dislocation where fundamentals remain intact.

## Summary & Outlook

The near-term equity market outlook remains challenging. Inflation remains problematic and, in all likelihood, has not yet peaked. As a result, we think the RBA has a further 25bps hike left before we reach peak rates.

Rate pressures are undermining confidence in housing and consumer spending is now slowing. On top of this, recent budget proposals have led to fears that the housing super cycle is over and that bank credit growth will structurally decline.

Although some of this is already reflected in share prices, we don't believe sell-side earnings

Expectations have adjusted to a new reality. While there is hope that the RBA is close to peak rates, it remains too early to position for the next upswing given domestic cyclical risks.

On the positive side, the broader electrification build-out creates a multi-year opportunity across copper and critical minerals, data centres, capital goods and engineering — with earnings power largely independent of the domestic cycle. The set-up is one to be optimistic about, but Australia's domestic cycle requires patience and some cautiousness.

### Jun Bei & the Investment Team

## Net Portfolio Performance: Alpha Plus (as at May 2026)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Bench	Rel Perf
2026	0.4%	2.3%	-9.3%	2.2%	1.8%								-3.2%	1.7%	-4.9%
2025	5.0%	-4.3%	-5.7%	3.7%	5.4%	0.6%	2.8%	4.0%	-1.2%	0.5%	-5.9%	-0.7%	3.4%	10.3%	-7.0%
2024	0.9%	5.5%	3.1%	-3.6%	1.3%	1.6%	2.3%	2.2%	3.8%	-2.2%	5.2%	-4.5%	15.9%	11.4%	4.5%
2023	4.9%	-2.5%	-1.2%	1.1%	-2.2%	1.3%	1.8%	1.7%	-2.5%	-4.0%	4.2%	6.8%	8.9%	12.4%	-3.5%
2022	-6.0%	1.0%	6.6%	-2.3%	-3.1%	-7.9%	4.4%	3.3%	-5.5%	6.8%	7.7%	-2.9%	0.5%	-1.1%	1.5%
2021	1.9%	2.1%	2.3%	4.3%	2.6%	1.4%	0.6%	4.2%	-0.8%	-0.4%	-0.3%	2.7%	22.4%	17.2%	5.1%
2020	5.3%	-7.0%	-20.4%	11.9%	5.7%	2.6%	3.2%	4.7%	-3.6%	0.9%	8.2%	2.9%	10.6%	1.4%	9.2%
2019			-0.6%	2.7%	1.3%	4.8%	4.7%	0.0%	-1.0%	-0.8%	3.8%	-1.5%	13.8%*	12.1%*	1.7%*
Per annum since Inception*													9.7%	8.9%	0.8%

\*ITD = Inception to date (Mar-19 when Jun Bei took over as Lead Portfolio Manager for the Alpha Plus Fund). \* Returns from Mar-19

## Fund Information

### Investor Relations

The Ten Cap Alpha Plus Fund (ARSN 120 567 544) is an Australian Equity, long/short strategy with the typical asset classes held by the Fund being cash and cash equivalent instruments, Australian listed shares and other equity like securities and exchange traded Derivatives.

The Fund aims to achieve positive returns in excess of the Fund Benchmark, before fees and expenses, over the long term by taking both Long Positions and Short Positions in selected Australian shares.

<b>Inception:</b>	September 2006
<b>Minimum Investment:</b>	AUD \$25,000, no minimum for ASX:TCAP
<b>Subscriptions:</b>	Daily
<b>Redemptions:</b>	Daily
<b>Management Fee:</b>	0.97% per annum
<b>Performance Fee:</b>	20% of return above the fund benchmark
<b>Responsible Entity:</b>	Ironbark Asset Management (Fund Services) Ltd
<b>Custodian &amp; Admin:</b>	J.P. Morgan Chase Bank N.A. (Sydney Branch)
<b>Auditor:</b>	PwC



## Let's Keep Talking

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#### Material Matters:

On 29 September 2025, Ten Cap Investment Management Pty Ltd ACN 682 019 987, the investment manager of the Fund, was granted its application to vary its Australian financial services license, to provide general financial product advice to retail and wholesale clients. There have been no material changes to the Fund in terms of key service providers, the risk profile, investment strategy or changes to individuals in the investment team who play a key role in the investment decisions of the Fund. The Fund is classified as a hedge fund in accordance with the Australian Securities and Investments Commission, Regulatory Guide 240 'Hedge funds: Improving disclosure'. This classification is based on the fact that the Fund currently exhibits two or more characteristics of a hedge fund, being: 1) complexity of investment strategy or structure; 2) use of leverage; 3) use of derivatives; 4) use of short selling; 5) charges a performance fee. This information contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's personal financial circumstances, objectives or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current target market determination and offer document before making an investment decision to acquire or to continue to hold units in the Fund.

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